

# EASY BUY PLC

No. 11/2013

21 February 2013

<b>Company Rating:</b>	BBB+
<b>Outlook:</b>	Stable
<b>New Issue Rating:</b>	BBB+
<b>Outlook</b>	Stable

**Rating History:**

Date	Company	Issue (Secured/ Unsecured)
07/11/12	BBB+/Sta	BBB+(Sta)/BBB+(Sta)
15/03/12	BBB/Pos	BBB+(Sta)/BBB(Pos)
12/09/11	BBB/Pos	BBB+ (Neg)/-
31/03/11	BBB/Sta	BBB+ (Alert Neg)/-
19/01/11	BBB/Sta	A (Neg)/-
15/07/10	BBB/Sta	A+ (Neg)/-
03/06/10	BBB/Neg	A+ (Neg)/-
04/11/09	BBB/Neg	AA- (Neg)/-
16/06/09	BBB/Neg	AA (Neg)/-
28/05/09	BBB/Neg	AA (Alert Neg)/-
26/06/07	BBB/Sta	AA/-
12/07/04	BBB+/Sta	AA/BBB+
19/02/04	BBB+	AA/BBB+
05/11/02	BBB+	AA/-

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**Rating Rationale**

TRIS Rating affirms the company rating of EASY BUY PLC at “BBB+”, and also affirms the ratings of the guaranteed debentures of EASY BUY at “BBB+”. At the same time, TRIS Rating assigns “BBB+” rating to EASY BUY’s proposed issue of up to Bt1,000 million in three-year senior debentures. The company rating reflects EASY BUY’s continual improvement in capital base, financial profile and asset quality during 2008 to the third quarter of 2012, and its strong market position in Thailand’s non-bank consumer finance business. The rating is constrained by the fact that the credit quality of its customers is sensitive to an unfavorable economy, and by intense competition in the consumer finance industry. These factors might limit business growth, profitability, and lead to a deterioration in asset quality in the future.

The guaranteed issue ratings reflect the credit profile of ACOM, who is the guarantor of the debentures. ACOM’s financial performance has been weaker since 2009 due to higher provision expenses for both possible loan losses and refunds of overpaid interest following the full implementation of the new Money Lending Business Law in Japan, and the worsening business environment in Japan. ACOM is currently rated “BB+” with “stable” outlook by Standard & Poor’s.

Under the guarantee agreement, which is governed by Japanese law, the guarantor irrevocably and unconditionally guarantees to promptly make full payments of obligations of the rated debentures. In any merger or consolidation of ACOM, the successor of ACOM shall assume these guarantee obligations. If the guarantor fails to pay the amount due after receiving a notice, the debenture holders’ representative can commence legal action against the guarantor in commercial court, in Japan, for the defaulted amount. The obligations of the guarantor under this guarantee agreement rank equally with other unsecured and unsubordinated debts of the guarantor.

ACOM’s financial profile has been gradually improved since the fiscal year 2012 (April 2011-March 2012). For the first nine months of FY2013 (ending March 2013), ACOM reported net profit totaling 45 billion yen resulting from the continual decrease in provision of allowance for doubtful accounts and operating expenses. The figure further improved from net profits totaling 42 billion yen in the same period of FY2012 (April-December 2011).

As of December 2012, the loan receivables of EASY BUY were 72 billion yen, made up 8% of ACOM’s consolidated receivables. EASY BUY is ACOM’s first overseas subsidiary in Southeast Asia and figures significantly in ACOM’s strategy to be a major regional player in the consumer finance industry. ACOM has shown a strong commitment to EASY BUY to provide financial and business support by passing along technology and business practice know-how.

The experience over 15 years in the non-bank consumer finance industry has provided EASY BUY with a sufficient track record and good brand recognition. Continued financial and business supports from the parent company are helpful for EASY BUY’s future market position and to sustain growth. Although the nature of its business in providing small loans to a large number of customers helps diversify risks, the company is still exposed to credit risk as the credit profiles of its customers are generally higher than retail customers of commercial banks. In addition, the company is also exposed to regulatory risk as regulators strive to

*CreditUpdate* reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The *CreditUpdate* occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The *CreditUpdate* announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

*CreditUpdates* are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

protect consumers' rights.

Asset quality of the company has improved continuously since 2008. Receivables with more than three months overdue to total receivables decreased from 5.62 % in 2007 to 2.14% in 2011, and 1.91% as of June 2012, before slightly increased to 2.07% as of September 2012. The ratio for an industry average conversely increased to 3% in 2012 from 2.75% in 2011. As EASY BUY has shifted its customer base from factory workers to office workers since 2009, the company has been partially affected from vulnerable economic and operating environment. EASY BUY has adopted many of ACOM's business operation and risk management tools, including a modern credit-scoring model and effective vendor and information management systems, plus ACOM's loan collection methods and standards to ensure asset quality control.

EASY BUY's financial performance improved continuously after 2007. Net income turned positive, with net profits of Bt310 million in 2008, Bt326 million in 2009, Bt925 million in 2010, and Bt1,310 million in 2011. For the first nine months of 2012, net income hit a record high to Bt1,522 million, up by 36% from Bt1,120 million for the same period of 2011. The steady turnaround resulted from continued growth in the personal loan business, efficient control of operating costs, and improved customer credit profiles.

As of 31 October 2012, EASY BUY had allocated Bt3,600 million of retained earnings in terms of stock dividends to existing shareholders, which increased its paid-up capital to Bt3,900 million from Bt300 million. Under the Foreign Business Act, EASY BUY is required to maintain sufficient capital in order to keep its debt equal to or no more than seven times of paid-up capital. The ratio of total shareholders' equity to total assets rose from 5.70% in 2007 to 10.58% in 2010, 14.56% in 2011, and 19.07% as of September 2012, while the ratio of total debts to total shareholders' equity also improved significantly from 14 times in 2008 to around four times.

### Issuer and Senior Issue Rating Outlooks

The "stable" outlook reflects the turnaround in performance as a result of improved asset quality and careful control of operating expenses. EASY BUY delivered strong earning power in 2010, 2011, and the first nine months of 2012, which generated a strong internal growth of its equity base and strengthened its credit ratings. Good credit risk management and stronger capital will help mitigate expected risks from adverse changes in business and operating environment in the consumer finance industry.

### Guaranteed Issue Rating Outlook

The "stable" outlook for the guaranteed issue ratings of EASY BUY reflects improvement of ACOM's financial profile in FY2012 and stabilizing prospects for Japan's consumer finance industry. The pressure of ACOM's financial performance has declined due mainly to declining trend of provisioning expenses for both possible loan losses and refunds of overpaid interests. The review of the guaranteed issue ratings will be considered if TRIS Rating sees any changes in support from Mitsubishi UFJ Financial Group (MUFG), the largest financial group in Japan, to ACOM.

## EASY BUY PLC (EASY BUY)

<b>Company Rating:</b>	BBB+
<b>Rating Outlook:</b>	Stable
<b>Issue Ratings:</b>	
EB133A: Bt1,000 million guaranteed debentures due 2013	BBB+
EB13DA: Bt500 million guaranteed debentures due 2013	BBB+
EB14DA: Bt500 million guaranteed debentures due 2014	BBB+
EB152A: Bt500 million guaranteed debentures due 2015	BBB+
EB15DA: Bt500 million guaranteed debentures due 2015	BBB+
EB156A: Bt1,020 million guaranteed debentures due 2015	BBB+
EB162A: Bt1,000 million guaranteed debentures due 2016	BBB+
EB162B: Bt2,000 million guaranteed debentures due 2016	BBB+
<b>Rating Outlook:</b>	Stable
EB152B: Bt340 million senior debentures due 2015	BBB+
EB156B: Bt480 million senior debentures due 2015	BBB+
Up to Bt1,000 million senior debentures due within 2016	BBB+
<b>Rating Outlook:</b>	Stable

**Financial Statistics\***  
**ACOM Co., Ltd.**

Unit: Billion yen

	Apr- Dec	Fiscal Year Ended 31 March				
	2012	2012	2011	2010	2009	2008
Total assets	1,100	1,212	1,303	1,483	1,606	1,862
Total loans	868	957	1,062	1,273	1,423	1,613
Allowance for doubtful accounts	44	48	70	69	92	118
Short-term borrowings	308	308	296	274	262	329
Long-term borrowings	326	407	444	523	574	644
Shareholders' equity and minority interests	309	265	244	439	452	472
Net interest income	91	137	171	206	241	294
Non-interest income	36	48	50	46	49	50
Operating expenses	48	118	327	168	169	145
Net income	45	21	(203)	(7)	14	35

\* Consolidated financial statements

**Key Financial Ratios\***  
**ACOM Co., Ltd.**

Unit: %

	Apr-Dec	Fiscal Year Ended 31 March				
	2012	2012	2011	2010	2009	2008
<b>Profitability</b>						
Net interest income/average assets	7.88 **	10.88	12.27	13.35	13.88	15.12
Net interest income/total income	62.12	64.56	69.10	73.41	74.60	78.52
Operating expenses/total income	32.62	20.95	33.93	55.80	48.92	38.75
Operating profit/average assets	4.41 **	6.53	(14.34)	(0.09)	1.38	3.26
Return on average assets	3.92 **	1.71	(14.55)	(0.47)	0.79	1.82
Return on average equity	15.80 **	8.44	(59.35)	(1.62)	2.96	7.62
<b>Asset Quality</b>						
Bad debts***/average loans	6.82	7.94	8.92	8.10	7.65	7.40
Bad debts and doubtful accounts/average loans	3.47 **	5.88	6.64	5.65	5.79	6.87
Allowance for doubtful accounts/total loans	5.09	5.01	6.62	5.44	6.43	7.31
<b>Capitalization</b>						
Shareholders' equity/total assets	28.08	21.85	18.70	29.63	28.18	25.36
Shareholders' equity/total loans	35.58	27.69	22.95	34.52	31.79	29.28
<b>Liquidity</b>						
Short-term borrowings/total liabilities	38.96	32.52	27.98	26.30	22.74	23.67
Total loans/total assets	78.91	78.92	81.49	85.84	88.64	86.63

\* Consolidated financial statements

\*\* Non-annualized

\*\*\* Including non-accrual loans due for three months or more, loans in legal bankruptcy, and restructured loans

**Financial Statistics**  
**EASY BUY PLC**
*Unit: Bt million*

	----- Year Ended 31 December -----					
	9/2012	2011	2010	2009	2008	2007
Total assets	29,622	28,341	26,804	25,819	24,699	22,727
Total loans	29,980	28,805	26,464	25,429	24,217	22,391
Allowance for doubtful accounts	2,027	1,895	1,709	1,471	1,543	1,623
Short-term borrowings	5,242	12,008	5,862	5,874	10,182	8,183
Long-term borrowings	17,937	11,387	17,237	17,481	12,352	12,854
Shareholders' equity	5,648	4,126	2,836	1,911	1,606	1,296
Net interest income	4,983 *	6,241	5,966	5,522	4,970	4,388
Bad debts and doubtful accounts	1,879 *	2,722	3,261	3,709	3,235	3,209
Non-interest income	669 *	783	697	568	570	519
Operating expenses	1,786 *	2,200	2,074	1,902	1,855	1,828
Net income	1,522 *	1,310	925	326	310	(95)

*\* Non-annualized*
**Key Financial Ratios**  
**EASY BUY PLC**
*Unit: %*

	----- Year Ended 31 December -----					
	9/2012*	2011	2010	2009	2008	2007
<b>Profitability</b>						
Net interest income/average assets	17.19	22.64	22.67	21.86	20.96	20.81
Net interest income/total income	75.37	76.04	76.46	75.79	74.07	74.10
Operating expenses/total income	27.01	26.80	26.58	26.06	27.65	30.86
Operating profit/average assets	4.55	5.15	5.05	1.91	1.89	(0.61)
Return on average assets	5.25	4.75	3.51	1.30	1.31	(0.45)
Return on average equity	31.14	37.64	38.97	18.71	21.36	(7.08)
<b>Asset Quality</b>						
Non-performing loans/total loans	2.07	2.14	2.72	3.21	4.42	5.62
Bad debts and doubtful accounts/average loans	6.41	9.89	12.57	14.94	13.88	15.62
Allowance for doubtful accounts/total loans	6.76	6.63	6.46	5.78	6.37	7.25
Bad debt write-offs/average loans	N/A	6.70	9.29	13.22	11.93	11.18
<b>Capitalization</b>						
Total debt/equity (times)	4.10	5.67	8.15	12.22	14.03	16.23
Shareholders' equity/total assets	19.07	14.56	10.58	7.40	6.50	5.70
Shareholders' equity/total loans	18.84	14.42	10.72	7.51	6.63	5.79
<b>Liquidity</b>						
Short-term borrowings/total liabilities	21.86	49.59	24.46	24.57	44.09	38.18
Total loans/total assets	101.21	100.93	98.73	98.49	98.05	98.52
Total loans/total borrowings	129.34	122.27	114.56	108.88	107.47	106.44

*\* Non-annualized*

**TRIS Rating Co., Ltd.**

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